

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A PETITION OF MILLENNIUM ENERGY,	)	
INC. FOR APPROVAL OF AN INITIAL	)	
RATE SCHEDULE TO CHARGE	)	
CUSTOMERS THAT WILL BE SERVED	)	CASE NO. 99-312
FROM AN EXISTING GAS SUPPLY LINE	)	
IN SIMPSON COUNTY, KENTUCKY	)	

O R D E R

IT IS ORDERED that Millennium Energy, Inc. ("Millennium") shall file an original and ten copies of the following information with the Commission with a copy to all parties of record. Each copy of the information should be placed in a bound volume with each item tabbed. When a response requires multiple pages, each page should be appropriately indexed, for example, Item 1(a), page 2 of 4. With each response, include the name of the person who will be responsible for responding to questions related thereto. Careful attention should be given to copied material to ensure that it is legible. The information shall be filed by the due date in the procedural schedule included in Appendix A to this Order.

1. Identify the other fuel sources that are currently in use in the area to be served by Millennium.

2. Provide the number of additional customers Millennium estimates it will add to its system over the next 3 years and provide a thorough explanation of how that estimate was developed.

3. Has Millennium performed a feasibility study or survey to estimate the level of likely conversions to natural gas service in this area?

a. If yes, provide a copy of the study or survey and a summary of the results.

b. If not, explain why Millennium has not undertaken such a study or survey.

4. Provide the basis, or support, for the proposed rates included in Millennium's application.

5. The proposed rates do not include non-recurring charges such as disconnect fees, reconnect fees, bad check fees, and late payment penalties. Has Millennium considered adding these items as part of its tariff?

6. Does Millennium intend to include a Gas Cost Adjustment ( GCA ) clause in its tariff to track changes in its gas costs?

7. Provide the cost study used for estimating operating and maintenance expenses based on comparable gas utilities referred to in Item 4 of Millennium's response to the Commission's August 20, 1999 Order on filing deficiencies. Include expenses detailed by Uniform System of Accounts ( USoA ) account number if available.

8. Refer to Financial Exhibit 2.5 Pro Forma Income Statement (Rev. 2) in Millennium's response to the Commission's August 20, 1999 Order on filing deficiencies.

a. Provide a revenue requirement determination based on the 3-year average of utility operations. Prepare the schedule computing the revenue requirement

per Mcf, net of customer charges, using the gross income conversion factor from c below and an operating ratio of 88 percent.

b. Provide a computation of the 28 percent tax rate used in this exhibit. In addition to the federal corporate income tax rate, include the state corporate income tax, net of the federal benefit.

c. Provide a computation of the gross revenue conversion factor for the average period of operations used in the revenue requirement determination.

d. Provide a schedule detailing estimated operations expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., an average of \$200 per month, totaling \$2,400, for mains and services expense.

e. Provide a schedule detailing estimated maintenance expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., \$5.00 per hour for labor at an average of 15 hours per week times 52 weeks equals \$3,900 annually, for maintenance supervision and engineering.

f. Provide a schedule detailing estimated customer account expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., 5 hours monthly at \$10 per hour, totaling \$600 annually for meter reading expenses.

g. Provide a schedule detailing estimated administrative and general expenses by individual USoA account number with a brief explanation of the expected expenses by account, i.e., an estimate of \$1,000 annually for accounting services in the

preparation of the annual report and income tax returns, to support outside services employed.

9. Provide itemized depreciation rates for each depreciable category of gas utility plant in Millennium's system.

10. Historically, jurisdictional electric distribution cooperatives have used a Times Interest Earned Ratio ( TIER ) for their revenue requirement determination. This is because the cooperatives have a minimal equity investment from membership fees, debt capital (primarily from governmental sources and non-profit entities) and earned reserves ( capital credits ). Since Millennium is capitalized with primarily debt capital and the debt is guaranteed by its parent company, the Commission requests that Millennium provide a revenue requirement calculation based on TIER, debt service coverage or some method other than return on equity. Provide a complete explanation of the method selected and the basis for the required level of return.

IT IS FURTHER ORDERED that the procedural schedule in Appendix A, which is attached hereto and incorporated herein, shall be followed in this case.

Done at Frankfort, Kentucky, this 20<sup>th</sup> day of September, 1999.

By the Commission

ATTEST:

---

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 99-312 DATED SEPTEMBER 20, 1999

All requests for information to Millennium  
shall be filed no later than . . . . . 9/24/99

Millennium shall file responses to all  
requests for information no later than . . . . .10/7/99

All requests for information to Intervenors  
shall be filed no later than . . . . . 10/15/99

Intervenors shall file responses to requests for  
information no later than . . . . . 10/22/99

A Public Hearing, if necessary, will be scheduled at a later date.